

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

Annual Compliance Review, 2012

Docket No. ACR2012

CHAIRMAN'S INFORMATION REQUEST NO. 5

(Issued January 28, 2013)

Pursuant to 39 C.F.R. 3015.6, the Postal Service is requested to provide written responses to the following questions. To assist in the completion of the record, the answers are to be provided as soon as possible, but by no later than February 6, 2013.

Special Services

1. The revised library reference, REV_USPS FY12-1, indicates that the costs for "Other Ancillary Services" are \$547.852 million. Please identify each Special Service included in the \$547.852 million and provide the corresponding costs and volumes for each.

International Mail

2. Please refer to the response to CHIR No. 1, question 5(a)-(b), which provided the final CY 2011 annual and CY 2012 preliminary year-to-date monthly (January-September) quality of service measurement results for the link to terminal dues.
 - a. Please explain the causes of the differences between the quality of service measurement results reported in the table UPU QLMS - GMS extract report 2011, YTD December 2011 compared to the results in the table UPU Quality Link Measurement System report, YTD December 2011.
 - b. Please explain the causes of the change in the CY 2012 year-to-date on-time percent performance compared with the CY 2011 annual

performance for letter post items reported in the table UPU Quality Link Measurement System report, YTD December 2011.

3. The following questions concern Product Specific costs. Please refer to USPS-FY12-NP2 (Revised), Excel file Reports (Booked).xls (Revised 1-14-13), worksheet A-Pages (c), Table A-2.
 - a. For FY 2012, International Money Transfer Service (IMTS)—Outbound product specific costs increased substantially compared to FY 2011. Please explain the causes of this increase in product specific costs for IMTS-Outbound.
 - b. For the first time in FY 2012, the International Cost and Revenue Analysis (ICRA) Report presents product specific costs for the following Negotiated Service Agreement (NSA) contracts: Global Expedited Package Services (GEPS) contracts, Global Reseller Expedited Package (GREP) contracts, and Global Expedited Package Services – Non-published Rates (GEPS – NPR) contracts. Please explain the reasons for the newly reported product specific costs for these products.
4. The following question concerns market dominant inbound international negotiated service agreements (NSAs). Please refer to USPS-FY12-NP2 (Revised), Excel file Reports (Booked).xls (Revised 1-14-13), worksheet A Pages (md), Table A-2, and the reference to Global Direct Entry with Foreign Postal Administrations. Please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by name, docket number and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for Global Direct Entry with Foreign Postal Administrations shown in Table A-2.

5. The following questions concern outbound competitive international NSAs for Global Expedited Package Services (GEPS) Contracts.
 - a. In USPS-FY12-NP2 (Revised), Excel file Reports (Booked).xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2, the Postal Service reports the financial results for the GEPS products in a single entry, “Global Expedited Package Services (GEPS) Contracts.” The competitive product list identifies three products under the heading Global Expedited Package Services (GEPS) Contracts: GEPS2, GEPS3 and GEPS4. For these products, please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for GEPS Contracts shown in Table A-2.
 - b. Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the GEPS2, GEPS3 and GEPS4 products shown in USPS-FY12-NP2 (Revised), Excel file NSA Summary (Booked).xls (Revised 1-14-13), worksheet tab Summary, with the revenue, pieces, pounds, volume variable costs, product specific costs (if any), and contribution provided for such products in response to subpart (a), above.
 - c. Please respond to subparts (a)-(b), above, with reference to the Excel file Reports.xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2 and the Excel file NSA Summary (Imputed).xls (Revised 1-14-13), worksheet tab Summary.
6. The following questions concern outbound competitive international negotiated service agreements for Global Reseller Expedited Package (GREP) Contracts.
 - a. In USPS-FY12-NP2 (Revised), Excel file Reports (Booked).xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2, the Postal Service reports the financial results for the GREP product in the entry “Global Reseller

Expedited Package Contracts.” Please provide the revenue, volume variable cost, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) used to derive the revenue, cost, volume, and weight figures for GREP Contracts shown in Table A-2.

- b. Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the Global Reseller Expedited Package Contracts product shown in USPS-FY12-NP2 (Revised), Excel file NSA Summary (Booked).xls (Revised 1-14-13), worksheet tab Summary, with the revenue, pieces, pounds, volume variable costs, product specific costs (if any), and contribution provided for this product in response to subpart (a), above.
 - c. Please respond to subparts (a)-(b), above, with reference to the Excel file Reports.xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2, and the Excel file NSA Summary (Imputed).xls (Revised 1-14-13), worksheet tab Summary.
7. The following questions concern outbound competitive international negotiated service agreements for Global Expedited Package Services—Non-Published Rates (GEPS—NPR) Contracts.
- a. In USPS-FY12-NP2 (Revised), Excel file Reports (Booked).xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2, the Postal Service reports the financial results for the GEPS-NPR product in the entry “Global Expedited Package Services (GEPS)—Non-Published Rates.” Please provide the revenue, volume variable costs, product specific costs (if any), pieces, and net/gross pounds for each agreement/contract (identified by docket number, name of company/operator and, if applicable, agreement/contract number) used to derive the revenue, cost, volume,

and weight figures for Global Expedited Package Services (GEPS)—Non-Published Rates shown in Table A-2.

- b. Please reconcile the revenue, pieces, pounds, volume variable cost, and contribution for the Global Expedited Package Services (GEPS)—Non-Published Rates product shown in USPS-FY12-NP2 (Revised), Excel file NSA Summary (Booked).xls (Revised 1-14-13), worksheet tab Summary, with the revenue, pieces, pounds, volume variable costs, product specific costs (if any), and contribution provided for this product in response to subpart (a), above.
 - c. Please respond to subparts (a)-(b), above, with reference to the Excel file Reports.xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2, and the Excel file NSA Summary (Imputed).xls (Revised 1-14-13), worksheet tab Summary.
8. The following questions concern International Business Reply Service (IBRS) Competitive Contracts.
- a. IBRS Competitive Contracts consist of three products: IBRS Competitive Contract 1, 2 and 3. In USPS-FY12-NP2 (Revised), Excel file NSA Summary (Booked).xls (Revised 1-14-13), worksheet tab IBRS, please confirm that CP2010-17 and CP2012-5 are IBRS Competitive Contract 1 contracts, and all other identified contracts are IBRS Competitive Contract 3 contracts. If not confirmed, please explain.
 - b. Please reconcile the reported financial results for the IBRS Competitive Contract products presented in USPS-FY12-NP2 (Revised), Excel file NSA Summary (Booked).xls (Revised 1-14-13), worksheet Summary, with the revenue, pieces, pounds, volume variable cost, product specific cost, and contribution for International Business Reply Service (IBRS) Competitive Contracts reported in USPS-FY12-NP2 (Revised), Excel file Reports (Booked).xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2.

- c. Please respond to subpart (a) and (b), above, with reference to the Excel file Reports.xls (Revised 1-14-13), worksheet tab A Pages (c), Table A-2 and the Excel file NSA Summary (Imputed).xls (Revised 1-14-13), worksheet tab Summary.
- 9. Please refer to USPS-FY12-NP2 (Revised), Excel file “NSA Summary (Booked).xls”, worksheet IDE Sack Handling, Column T. Please show the calculations used to derive the “FY 12 Cost” for each foreign postal operator.

Competitive Products

- 10. The following questions relate to Package Intercept Service.
 - a. In the Competitive Billing Determinants, the Postal Service reports an aggregate estimate for FY 2012 Package Intercept Service revenues and volumes. Please disaggregate the revenue and volume figures for the products that used Package Intercept Service.
 - b. It appears that Library Reference USPS-FY12-NP26, which provides non-public Special Services special cost studies, does not include a Package Intercept Service special cost study. Please provide a special cost study, consistent with other Competitive service offerings.
 - c. It appears that the non-public CRA does not include Package Intercept Service’s revenues and attributable cost data with the Competitive Ancillary Services product. Please identify where Package Intercept Service’s revenues and attributable cost appear in the non-public CRA.
 - d. It appears that the RPW revenues for Package Intercept Service were included with market dominant Special Services. See Response to CHIR No. 3, question 9. Please explain why the revenues were not included with the Competitive Ancillary Services product.

Nonpostal Services

11. Please refer to the Preface to Library Reference USPS-FY12-NP27, which states that the Postal Service plans to permanently discontinue the USPS Electronic Postmark Service (EMP) Program.
 - a. Has the Postal Service already discontinued the EPM Program?
 - b. If the EPM Program has not been discontinued, please provide an expected discontinuance date.

Standard Mail

12. Please refer to USPS-FY12-LR-4, Excel file: FY 2012 Standard Mail.xls. A category called “Simplified Address” is included on the following tabs: ECR LETTERS P. C2-1, ECR FLATS P. C2-2, ECR FLATS (ltr-shaped) P. C2-3, ECR PARCELS P. C2-4, ECR PARCELS P. C2-4, NP ECR FLATS P. C4-2, NP ECR FLATS P. C4-2, and NP ECR PARCELS P. C4-4. This category did not exist in USPS-FY11-4.
 - a. Please explain how simplified address mailpieces differ from Carrier Route, High Density, and Saturation pieces.
 - b. Please provide workpapers that distribute the simplified address mailpieces to their respective products.
 - c. Please explain how simplified address mailpieces are different from Every Door Direct Mail- Retail mailpieces.
 - d. Please confirm that simplified address mailpieces pay Carrier Route, High Density or Saturation prices. If not confirmed, please explain.
 - e. Please provide workpapers in electronic format showing how the Postal Service calculated revenue for simplified address mail including the applicable prices.

Flats Processing

13. Please provide a copy of the “revised Periodicals Processing Policy” implemented in Quarter 4 of FY 2011.
14. Please identify and explain how the revised Policy altered Periodicals processing with respect to
 - a. Origin and destination entry processes;
 - b. Service standard;
 - c. Container identification;
 - d. Service visibility requirements;
 - e. Merging mail classes;
 - f. Dispatch and routing;
 - g. Letter mail processing; and
 - h. Consolidation of facilities.
15. Has the Postal Service measured how elimination of Hot2C practices has lead to a reduction of manual processing at each facility that processes Periodicals? If so, please provide any workpapers or presentations developed.
16. The Postal Service continues to utilize the Facility Access and Shipment Tracking (FAST) system for bulk mail entry. Please provide the following information for FY 2012:
 - a. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets;
 - b. Total number of Mixed-Class Pallets;
 - c. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets entered using FAST;
 - d. Total number of Mixed-Class Pallets entered using FAST;
 - e. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets entered using FAST before the CET for the appointment time;

- f. Total number of Mixed-Class Pallets entered using FAST before the CET for the appointment time;
 - g. Total number of Periodicals, Standard Mail Flats, and Standard Mail Carrier Route Pallets entered using FAST after the CET for the appointment time; and
 - h. Total number of Mixed-Class Pallets entered using FAST after the CET for the appointment time.
- 17. Has the Postal Service measured how elimination of Hot2C practices has lead to changes in service performance at each facility that processes Periodicals? If so, please provide any workpapers or presentations developed.
- 18. In response to CHIR 1 question 1, the Postal Service states that “Within calendar year 2012, the volume of mail processed on FSS increased 6 percent, processing on AFSM100 decreased 2 percent, and manual processing decreased 4 percent.” Please provide the workpapers used to develop these figures. Please provide the corollary workpapers for FY 2012.
- 19. Three FSS bundle and container preparation options were introduced in January 2011.
 - a. Please confirm that in FY 2012
 - i. 2.6 percent of all Periodicals pallets were prepared as FSS Facility of FSS Scheme pallets;
 - ii. 1.9 percent of all Periodicals bundles were prepared as FSS bundles; and
 - iii. 4.3 percent of all Periodicals Pieces were presorted for the FSS.
 - b. If not confirmed, please explain.
 - c. Please provide the number of FSS Pallets, bundles, and pieces for Standard Mail Flats and Standard Mail Carrier Route in FY 2012.
- 20. Please confirm that no price incentive for preparing FSS pallets and bundles in FY 2012 was available. If not confirmed, please explain the incentive. Do any

non-price incentives exist (*i.e.*, speed of service) for mailers to prepare FSS pallets and bundles.

21. The Postal Service converted 198 SPBS to APBS as of December 2011. The following table was developed using the MODS productivities contained in USPS-FY12-LR-23 and USPS-FY11-LR-23.

SPBS TPH/HOUR		
	FY 2011	FY 2012
SPBS Outgoing	357	404
SPBS Incoming	201	220
All SPBS	215	224
Source: YRscrub2012.xls and YRscrub2011.xls		

- a. Please confirm that the SPBS MODS codes are used to measure APBS productivity. If not confirmed, please explain which MODS codes are used for the calculation of APBS productivity.
 - b. Please confirm that SPBS/APBS productivity increased 4.3 percent from FY 2011 to FY 2012.
 - c. If not confirmed, please explain.
 - d. Please quantify the impact of the increase in SPBS/APBS productivity on the unit cost for Periodicals, Standard Mail Flats, and Standard Mail Carrier Route.
22. The Service Performance Diagnostics Tool (SPD) was released in January 2012. Please provide the following information for Full Service IMb Periodicals, Standard Mail Flats, and Standard Mail Carrier Route:
- a. Total IMb pieces, bundles, and pallets;
 - b. Total volume processed in an AFMS Incoming Secondary Sort;
 - c. Total volume processed on the FSS; and
 - d. Total number of bundles processed on the APPS, APBS, SPBS, and LIPS.

23. The following table was developed using the MODS productivities contained in USPS-FY12-LR-23 and USPS-FY11-LR-23 and USPS-FY08-LR-23.

AFSM Productivity			
	FY 2008	FY 2011	FY 2012
AFSM100 In Secondary	3,273	2,898	2,692
All AFSM Operations	3,163	2,826	2,667
Source: YRscrub2012.xls and YRscrub2011.xls and YRscrub2008.xls			

- a. Please confirm that AFSM Incoming Secondary productivity declined 7.1 percent from FY 2011 to FY 2012.
 - b. Please quantify the impact of the FY 2011 to FY 2012 decrease in AFSM productivity on the unit cost for Periodicals, Standard Mail Flats, and Standard Mail Carrier Route.
 - c. Please confirm that AFSM Incoming Secondary productivity declined 17.7 percent from FY 2008 to FY 2012.
 - d. Please quantify the impact of the FY 2008 to FY 2012 decrease in AFSM productivity on the unit cost for Periodicals, Standard Mail Flats, and Standard Mail Carrier Route.
24. In Response to CHIR 3 question 5 the Postal Service stated that FSS costs for Standard Mail Carrier Route have increased 1.84 cents from FY 2010 to FY 2012. The increase in FSS costs accounts for over 79 percent of the increase in Carrier Route costs since FY 2010.
- a. Please provide the same cost driver breakdown for Periodicals and Standard Mail Flats.
 - b. In FY 2012, did operation of the FSS increase or decrease costs for Periodicals, Standard Mail Flats, and Standard Mail Carrier Route. Please provide all workpapers used to analyze the impact of the FSS on flats costs.

25. In Response to CHIR 1 question 1 the Postal Service discusses the FSS Scorecard, which was used to “develop a list of specific sites to improve”.
- a. Please identify what critical aspects of FSS performance the FSS Scorecard measures.
 - b. Please provide the list of specific sites where the Postal Service determined that FSS performance could improve along with their initial and current FSS performance based on the critical aspects listed in part a.

Package Services

26. The revenues for Media Mail/Library Mail did not cover attributable costs in FY 2012. The FY 2012 ACR at 29 states that the Postal Service will attempt to improve Media Mail/Library Mail’s cost coverage by proposing above-average price increases subject to the CPI cap system.
- a. Please explain why the Media Mail/Library Mail product continues to fail to cover attributable costs.
 - b. Besides above-average price adjustments, please discuss other steps that the Postal Service plans to take to bring Media Mail/Library Mail to full cost coverage.
27. The Postal Service identifies the 39 U.S.C. § 3622(e)(2)(B) exception as a justification for the passthroughs in excess of 100 percent of avoided costs for BPM Flats DNDC dropship and BPM Parcels DNDC dropship. Please provide a qualitative description and/or quantitative analysis (e.g., economic damage or disruption to business plans) to support the use of this exception for these discounts.

Performance Measurement

28. Please provide FY 2011 and FY 2012 quarterly IMb data aggregated at the district level showing mail volumes and measured pieces for the following categories:

- a. First-Class Mail
 - i. Presort Letter/Postcards; and
 - ii. Presort First-Class Mail Flats
- b. Standard Mail (Destination and End-to-End)
 - i. High Density and Saturation Letters;
 - ii. High Density and Saturation Flats/Parcels;
 - iii. Carrier Route;
 - iv. Letters;
 - v. Flats;
 - vi. Not Flat-Machinables and Parcels;
 - vii. Mixed Product Letters; and
 - viii. Mixed Product Flats
- c. Periodicals
 - i. In-County; and
 - ii. Outside County
- d. Package Services (Destination and End-to-End)
 - i. Bound Printed Matter Flats

29. 39 C.F.R. 3055.2 (g) requires “a description of how sampled data represents the national geographic mail characteristics or behavior of the product.” Please explain or show how the Postal Service followed this requirement.
- a. First-Class Mail
- ii. Is the Product Tracking System designed to generate a specific margin of error for estimates of First-Class Parcel service performance? If so, please provide the margin of error.
 - iii. The Commission determined in Order No. 745 that the proxies used for First-Class Mail Flats and Parcels will be temporary until sufficient data are available. The Postal Service mentions the use of proxies for First-Class Mail Presort Flats in the Service Performance for Market Dominant Products found in USPS-FY12-29. What steps, if any, has the Postal Service taken to eliminate the use of these proxies? Please explain these steps in detail.
 - iv. On page 10 of the Annual Report on Service Performance for Market Dominant Products found in USPS-FY12-29, the Postal Service mentions “the total mail volume available for measurement in FY 2012 was approximately 18 percent of all Standard Mail, with 98 percent of measured mail being Destination Entry.”
 - (a) Please confirm that this description intends to satisfy the requirements of § 3055.2 (g). If not confirmed, please show where the Postal Service satisfies this requirement.
 - (b) 39 C.F.R. 3055.2 (f) requires a description of statistical validity and reliability of the results for each measured product. Does the reliability of the results depend on the volume of measured mail? If so, please explain the effects in detail.

- v. On page 11 of the Annual Report on Service Performance for Market Dominant Products found in USPS-FY12-29, the Postal Service states “in FY2012, 57 percent of measurable Standard letters and 70 percent of Full Service Intelligent Mail flats fell into [a] mixed product category.”
 - (a) How does this method of categorization affect the reliability and accuracy of service performance results for Standard Mail products?
 - (b) What are the Postal Service's plans to address uncategorized Standard Mail in the future?
 - (c) How will the Postal Service ensure mailers continue adopting documentation methods that provide the detail needed for accurate measurement at the product level?

Post Office Data

- 30. In the Excel file ***DeliveryPoints.xls***, on worksheets ***Beginning FY*** and ***End FY***, please define the Column Headers Titled “***ACTIVE RES OTH1***” and “***ACTIVE BUS OTH1***”
- 31. The total number of delivery points on worksheet ***End FY*** is 126,162,423. The corresponding figure in the USPS 2012 Annual Report to Congress at 3 appears to be 152,146,551. Please provide an explanation of this difference and a reconciliation of the two figures.
- 32. In the Excel file ***PostOffices.xls***, on the worksheet ***Post Offices***, the sum of Post Offices, Stations / Branches, and Carrier Annexes equals 32,252. The corresponding figure in the USPS Annual Report to Congress at 3 is 31,857. Please provide an explanation of this difference and, a reconciliation of the two figures.

33. In response to CHIR No. 2, question 3, the Postal Service provided USPS-LR-FY12-45, ChIR2.3.xls. Parts b and c of question 3 asked the Postal Service to identify the CPUs and CPOs (1) newly established in FY 2012 and (2) closed in FY2012. Please identify where that information is located in USPS-LR-FY12-45. If the information is not contained in that Postal Service library reference, please provide the requested data.
34. Referring to CHIR No. 2, question 2, please identify the official rationale for suspending each individual office as established under regulations specified in Manual P.O. 101, Section 611 w 39, Jan12, 2012.
35. Referring to CHIR No. 2, question 2, for each office specified as currently under suspension, please provide which of the following stages in the discontinuance process applies to each office:
- a. Pending discontinuance study in the field;
 - b. Pending final determination at headquarters; or
 - c. Approved and pending final posting of announcement in the Postal Bulletin.

The Collection Point Management System database

36. Please provide brief descriptions/definitions of the following items found in the data field labeled "BOX_TYPE_CODE_":
- a. FIRM;
 - b. HUB/DEPOT;
 - c. POST; and
 - d. RACK.

By the Commission.

Ruth Y. Goldway